


Sears



*File*

“With our emphasis on quality, value and service...Sears will continue to set the pace into the '80's as Canada's leading retailer”





Sears is a household name  
in every part of Canada.  
Our ever growing network  
of retail stores and catalogue  
sales outlets, plus Sears fine  
catalogues, provide Canadians  
with a unique and total  
shopping service no other  
company can match.

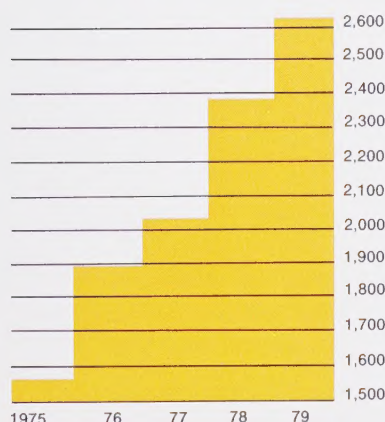


# Financial Highlights

Simpsons-Sears Limited Annual Report  
for the Fiscal Year Ended, January 30, 1980

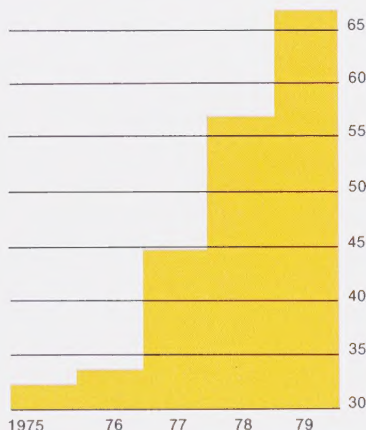
	1979 52 Weeks	1978 52 Weeks (unaudited)
Net sales	\$2,618,213,000	\$2,390,651,000
Net earnings	67,932,000	58,346,000
*Per share	.85	.77
Dividends declared	29,416,000	20,526,000
Per share	.36	.27
Shareholders' equity	549,896,000	435,802,000
Per share	6.31	5.71
Municipal realty and business taxes	25,045,000	23,939,000
Federal and provincial income taxes	45,369,000	38,809,000
Depreciation	32,500,000	30,508,000
Contribution to Simpsons-Sears Plan for Sharing Profits	4,248,000	3,607,000
Contributions to Company and Government Pension Plans	20,485,000	15,719,000
Fixed asset additions:		
Owned	37,282,000	33,841,000
Leased under capital leases	1,548,000	16,255,000

\*Based on weighted average number of shares outstanding during the period.



## Sales

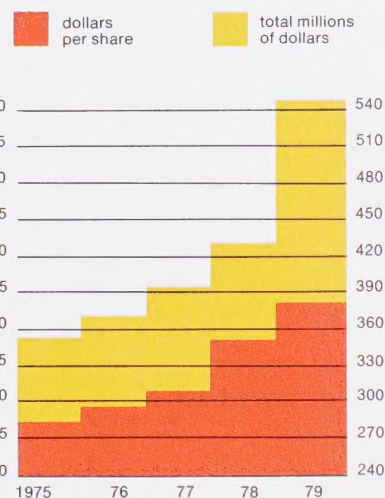
Consolidated net sales of \$2,618,213,000 in 1979 (52 weeks) showed an increase of 9.5% over 1978 (52 weeks). The compounded average increase for the five-year period 1974 to 1979 was 14.3% per year.



## Earnings

Consolidated net earnings, after taxes, which amounted to \$67,932,000 in 1979 (52 weeks) showed an increase of 16.4% from 1978 (52 weeks). The compounded average increase for the five years 1974 to 1979 was 14.5% per year.

Earnings per share, based on the weighted average number of shares outstanding during the year, were 85¢ in 1979 compared with 77¢ in 1978 (52 weeks) and 51¢ in 1974.



## Shareholders' Equity

Total shareholders' equity increased from \$269,476,000 at the end of 1974 to \$549,896,000 at the end of 1979 and shows a compounded average annual growth of 15.3% over the five-year period. Equity per share which was equivalent to \$3.97 at the end of 1974 increased to \$6.31 at the end of 1979.



Sears





# The Sears Buyer is committed to quality, value and service

With a top-notch marketing organization, we continue to grow and prosper. Sears is proud of its professional Buyers, dedicated to meeting the wishes and needs of our customers...at value-conscious prices.

A Sears Buyer is the result of years of training and development, learning practical merchandising skills through an apprenticeship program that includes contact with our customers and direction by experienced Buyers.

The success of our Buyer training program is evident in the number of especially developed products offered in our retail stores and catalogues.

Many new product ideas start with Sears Buyers. Working closely with our researchers, engineers, laboratory technicians and suppliers they develop merchandise carrying Sears own brand names.

Sears Buyers have to be the best... everything we sell is covered by our famous guarantee: satisfaction or money refunded!





Sears





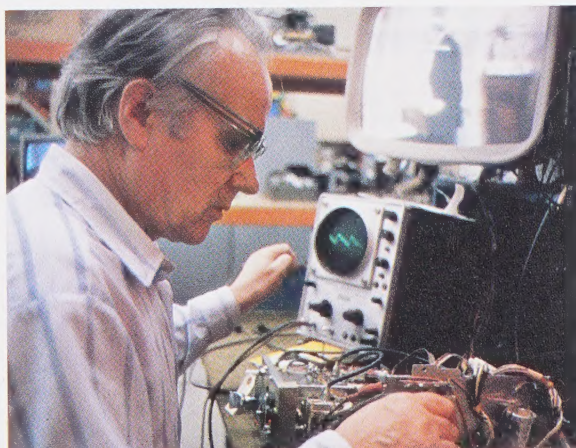
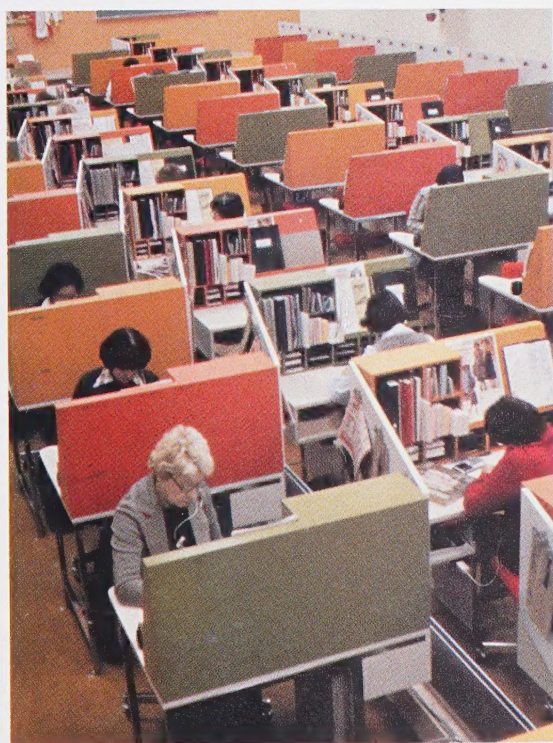
# Sears...Canada's only catalogue offering a full line of general merchandise

A simple telephone call to one of Sears 1020 Catalogue Sales Offices means that our customers can do a day's shopping in a matter of minutes.

They can enjoy the comfort of shopping at home from the largest, most complete selection of catalogue merchandise in the country. With 'Charge It' convenience and delivery to the home or local sales office, shopping couldn't be easier. And in larger centres, telephone orders are taken at any time of the day or night.

Sears stands behind its merchandise with a coast-to-coast network of specialists. Should servicing or installation be needed, an efficient Sears representative is ready and able to do the job.

No wonder more and more people appreciate the convenience of shopping from Sears catalogues ... it's like having a department store right in the home!





Sears





# More Canadians than ever are shopping at Sears Retail Stores

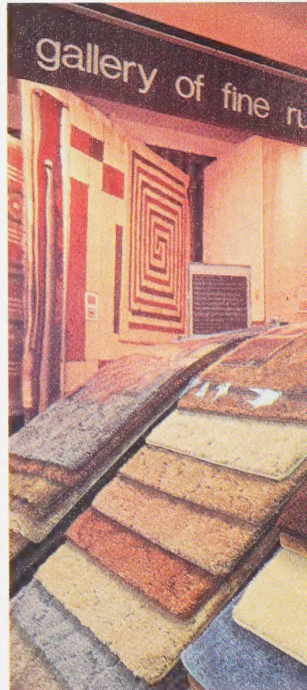
Whether seeking advice on beauty aids, shopping for fashions, lighting fixtures or hardware items, Sears retail stores are designed to offer our customers an enjoyable and comfortable shopping experience. Wide aisles give easy access to all departments which are planned for maximum merchandise exposure at a glance.

Hair salons, cafeterias, key shops, optical departments and travel bureaus are also found in most of our major stores. Even the smallest store offers the convenience of Allstate Insurance and Sears Catalogue Sales Desks. And

we service what we sell in or out of guarantee. This fact contributes to the confidence shown by our customers in all Sears products.

Location is of prime importance. The site of every store is chosen to best suit the needs of the community. Convenient parking and transportation facilities are important considerations.

Our courteous, knowledgeable personnel and all the services we offer make Sears the complete department store.





# Report to Shareholders



C. Richard Sharpe  
Chairman of the Board and Chief Executive Officer



John D. Taylor  
President and Chief Operating Officer

We enter the 1980's confident of our ability to meet the problems and opportunities of the new decade. As one of Canada's leading retailers of general merchandise, we have the know-how of experienced, dedicated people and the resources to continue our growth and sustain our position of leadership.

## Performance

We began 1979 with two significant challenges.

The first challenge was to improve our sales and profits and to continue the growth of the Company. Our overall performance continued to improve throughout fiscal 1979 and resulted in a record year of sales and earnings.

The entire retail industry experienced a difficult year. Unseasonable weather had an adverse effect upon spring business, and some buyer resistance resulted from the effects of inflation upon retail prices.

Our sales in the third quarter of 1979 lacked the buoyancy of the same period in 1978 and must be viewed in proper context. Sales in the third quarter of 1978 were stimulated in some provinces by consumer awareness that a temporary sales tax reduction was to end and that regular sales taxes would be re-imposed. However, sales improved in the fourth quarter of 1979 and contributed significantly to the success of the year.

The second challenge was to implement the changes necessary to bring about the separation of our operations from those of Simpsons, Limited. The amicable termination of our 26-year association is now virtually completed.

## Financial

Consolidated net sales for the fiscal year (52 weeks) ended January 30, 1980, were \$2,618,213,000, an increase of 9.5% over the reported figure of \$2,390,651,000 for the comparable 52 weeks ended January 31, 1979.



Net earnings for the 52 weeks were \$67,932,000 equivalent to 85¢ per share compared with \$58,346,000 or 77¢ per share the previous year. Net earnings for 56 weeks of 1978 ending January 31, 1979, were \$57,668,000 or 76¢ per share.

Simpsons-Sears equity in earnings of associated companies contributed 10¢ per share to the earnings of the Company, compared with 7¢ per share in 1978. These associated companies are Allstate Insurance Company of Canada, Allstate Life Insurance Company of Canada, Photo Engravers & Electrotypers Limited, Inglis Limited and interests in shopping centres in which our stores are located.

Quarterly dividends of 9¢ per share were declared in 1979 for a total of 36¢ per share compared with 27¢ per share in 1978.

On August 20, 1979, the Company issued stock rights to all Class A, B and C shareholders to purchase one additional share of the class held for each seven rights received. The total number of shares purchased was 10,796,907 and increased the capital of the Company by \$75,578,000.

### Employees' Retirement Plan

The Company contributed \$13,667,000 to the employees' Guaranteed Retirement Income Plan in 1979. This was in addition to \$6,818,000 paid by the Company to the Canada and Quebec Pension Plans. In addition, \$4,248,000 was contributed by the Company to the Plan for Sharing Profits With Employees, to be added to employee deposits for the purchase of Simpsons-Sears Limited shares.

The total contribution of the Company to these plans was \$24,733,000 in 1979, compared with \$19,326,000 in 1978.

### Expansion

Our 1979 expansion program was fulfilled with the opening of new retail stores in Medicine Hat, Alberta and Cornwall, Ontario. In addition 97 catalogue sales offices were opened. In total our expansion in 1979 required a capital investment of \$14,039,000. Included in this amount was \$6,978,000 for the expansion and renovation of existing retail stores, along with a further

\$2,073,000 for additions and refinements to our distribution systems. At year end, the Company operated 65 retail department stores and 1020 catalogue sales offices.

### Directors and Officers

Seven new directors were appointed to the Board of Directors. Each adds a special dimension of experience to our Company's guiding body, through his diversity of experience and achievements. We are proud to welcome Michel F. Bélanger, Robert J. Collins-Wright, Harold Corrigan, William A. Dimma, MacLean E. Jones, Arthur H. Mingay and Alfred Powis.

James W. Button, President of the Company from 1963 to 1966, has retired as an active member of the Board of Directors. His valued counsel will continue to be available as an Honorary Director.

Jack C. Barrow, Chairman of the Board and Chief Executive Officer of Simpsons-Sears Limited since 1966 retired in May, 1979, having reached normal retirement age. For 33 years, Mr. Barrow's commitment and dedication were outstanding. His ability to motivate and inspire people to their full potential has been an important element in the success of Simpsons-Sears. As Chairman and a Director from 1966, Mr. Barrow led the Company through 13 years of its most significant growth. We are delighted that Mr. Barrow consented to continue as a Director.

The following officer appointments were made during the year. C. Richard Sharpe, Chairman of the Board and Chief Executive Officer; John D. Taylor, President, was appointed Chief Operating Officer; J. J. Michael Eagan was appointed Vice-President and Secretary; Robert J. Knox, Vice-President, Public Affairs and Kenneth A. McCartney, Vice-President, Merchandising.

### The Outlook

Simpsons-Sears is ideally positioned to capitalize on the market opportunities of the 1980's. With our strong centralized buying organization, our "value" positioning with its broad customer appeal, and our representation in almost every city and town in Canada, we will be able to meet effectively the anticipated fluctuations of the economy.

Although the short term, approximately the next 18 months, presents concerns of a less than buoyant economy, it is our view that extended recovery will take place over the ensuing five years. Increased capital spending due in part to long-delayed industrial capital equipment replacement and continued investments in natural resource industries will provide sound underpinnings to a more buoyant economy in the early 1980's.

Our plans accommodate both the short and the long-range prospects of the new decade. An extensive re-examination of the Company is currently underway with a view to further refining our many complex systems into a structure compatible with the dynamics of the 80's. The development and application of the latest electronic technologies in information systems, along with inventory management and distribution techniques continue to be a high priority to further ensure our ability to manage effectively our complex, growing organization.

Our expansion plan is designed to increase our profitable penetration of the retail market, which will enable us to better serve the needs of our customers through both our retail and catalogue stores.

With our emphasis on quality, value and service we are confident that Sears will continue to set the pace into the 80's as Canada's leading retailer. We see the next 10 years as a promising decade of growth for Canada... and for our Company.



Chairman of the Board



President

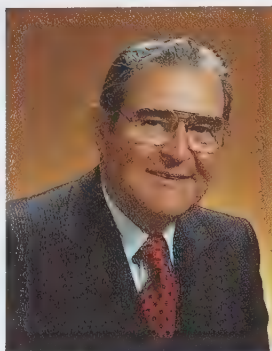
April 14, 1980



# Board of Directors



**CROWDUS BAKER**  
Honorary Director  
Retired Vice-Chairman  
of the Board,  
Sears, Roebuck and Co.



**JACK C. BARROW**  
Retired Chairman of the Board,  
Simpsons-Sears Limited



**MICHEL F. BÉLANGER**  
President and  
Chief Executive Officer,  
National Bank of Canada



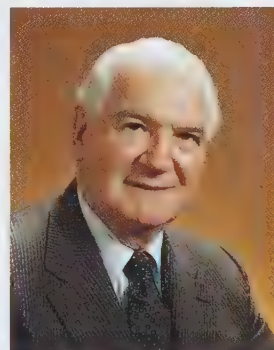
**JAMES W. BUTTON**  
Honorary Director  
Retired Special Assistant  
to the Chairman,  
Sears, Roebuck and Co.



**WILLIAM A. DIMMA**  
President and  
Chief Operating Officer,  
A.E. LePage Limited



**JOHN F. GALLAGHER**  
Vice-President,  
International Operations,  
Sears, Roebuck and Co.



**MACLEAN E. JONES, Q.C.**  
Partner,  
Jones, Black and Company,  
Solicitors



**JACK F. KINCANNON**  
Vice Chairman of the Board  
and Chief Financial Officer  
Sears, Roebuck and Co.



**C. RICHARD SHARPE**  
Chairman of the Board and  
Chief Executive Officer,  
Simpsons-Sears Limited



**JOHN D. TAYLOR**  
President and  
Chief Operating Officer,  
Simpsons-Sears Limited



**EDWARD R. TELLING**  
Chairman of the Board  
and Chief Executive Officer,  
Sears, Roebuck and Co.



**JAMES M. TORY, Q.C.**  
Partner, Tory, Tory,  
DesLauriers and Binnington,  
Solicitors





**ROBERT J. COLLINS-WRIGHT**  
President and  
Chief Executive Officer,  
Inglis Limited



**HAROLD CORRIGAN**  
Vice-President,  
Alcan Aluminium Limited



**ARTHUR H. MINGAY**  
Chairman of the Board and  
The Executive Committee,  
Canada Trustco  
Mortgage Company and  
The Canada Trust Company



**ALFRED POWIS**  
Chairman and President,  
Noranda Mines Limited



**WILLIAM P. WILDER**  
President and  
Chief Executive Officer,  
Consumers' Gas Company



**ARTHUR M. WOOD**  
Chairman of the Board  
of Trustees, The Savings and  
Profit Sharing Fund of  
Sears Employees, formerly  
Chairman of the Board and  
Chief Executive Officer,  
Sears, Roebuck and Co.

## Officers

<b>C. Richard Sharpe</b>	Chairman of the Board and Chief Executive Officer
<b>John D. Taylor</b>	President and Chief Operating Officer
<b>C. Lester Bishop</b>	Vice-President, Finance
<b>Alex Campbell</b>	Vice-President, Operating
<b>David S. Chapman</b>	Vice-President, Merchandise Distribution
<b>J.J. Michael Eagan</b>	Vice-President, Secretary and Corporate Counsel
<b>Frank R. Hammond</b>	Vice-President, Retail
<b>Robert J. Knox</b>	Vice-President, Public Affairs
<b>Kenneth A. McCartney</b>	Vice-President, Merchandising
<b>Morgan Reid</b>	Vice-President, Planning and Development
<b>Leslie Visosky</b>	Vice-President, Personnel
<b>James E. Copland</b>	Corporate Comptroller
<b>Larry E. Ginther</b>	Treasurer

## Committees of the Board

### Finance

J.C. Barrow, Chairman  
C.L. Bishop  
J.F. Kincannon  
A.H. Mingay  
A. Powis  
C.R. Sharpe  
J.D. Taylor  
J.M. Tory  
W.P. Wilder

### Audit

J.M. Tory, Chairman  
J.C. Barrow  
R.J. Collins-Wright  
H. Corrigan  
J.F. Gallagher  
M.E. Jones

### Compensation

A.M. Wood, Chairman  
J.C. Barrow  
E.R. Telling  
W.P. Wilder

### Investment

W.P. Wilder, Chairman  
C. Baker  
J.C. Barrow  
C.L. Bishop  
W.A. Dimma  
C.R. Sharpe  
J.D. Taylor



# Consolidated Statements of Earnings and Retained Earnings

Simpsons-Sears Limited

	Fifty-Two Weeks Ended		Fifty-Six Weeks Ended
	January 30, 1980	January 31, 1979 (unaudited)	January 31, 1979
<b>Consolidated Earnings</b>			
Net sales, including service charges on instalment sales	\$2,618,213,000	\$2,390,651,000	\$2,541,669,000
Rentals and other income	4,599,000	4,882,000	4,882,000
	<u>2,622,812,000</u>	<u>2,395,533,000</u>	<u>2,546,551,000</u>
Deduct:			
Cost of merchandise sold and selling, operating and administrative expenses	2,386,112,000	2,181,707,000	2,326,718,000
Depreciation	32,500,000	30,508,000	32,280,000
Interest on long-term obligations	51,434,000	49,653,000	53,184,000
Other interest	22,600,000	17,878,000	18,766,000
Municipal realty and business taxes	25,045,000	23,939,000	25,793,000
	<u>2,517,691,000</u>	<u>2,303,685,000</u>	<u>2,456,741,000</u>
Earnings from operations before income taxes	<u>105,121,000</u>	<u>91,848,000</u>	<u>89,810,000</u>
Income taxes:			
Current	42,483,000	32,984,000	31,628,000
Deferred	2,886,000	5,825,000	5,821,000
	<u>45,369,000</u>	<u>38,809,000</u>	<u>37,449,000</u>
Earnings from operations	<u>59,752,000</u>	<u>53,039,000</u>	<u>52,361,000</u>
Equity in earnings of associated companies	8,180,000	5,307,000	5,307,000
Net earnings for the period	<u>\$ 67,932,000</u>	<u>\$ 58,346,000</u>	<u>\$ 57,668,000</u>
Net earnings per share	<u>\$ .85</u>	<u>\$ .77</u>	<u>\$ .76</u>

	Fifty-Two Weeks Ended		Fifty-Six Weeks Ended
	January 30, 1980	January 31, 1979 (unaudited)	January 31, 1979
<b>Consolidated Retained Earnings</b>			
Balance at beginning of period	\$ 241,896,000	\$ 204,024,000	\$ 204,697,000
Adjustment for the cumulative effect on prior years of change in accounting for leases (Note 3)	335,000	283,000	278,000
	<u>241,561,000</u>	<u>203,741,000</u>	<u>204,419,000</u>
Net earnings for the period	<u>67,932,000</u>	<u>58,346,000</u>	<u>57,668,000</u>
	<u>309,493,000</u>	<u>262,087,000</u>	<u>262,087,000</u>
Dividends declared (36¢ per share; 1978—27¢)	29,416,000	20,526,000	20,526,000
Balance at end of period	<u>\$ 280,077,000</u>	<u>\$ 241,561,000</u>	<u>\$ 241,561,000</u>



# Consolidated Statement of Changes in Financial Position

Simpsons-Sears Limited

Source of Working Capital	Fifty-Two Weeks Ended January 30, 1980	Fifty-Six Weeks Ended January 31, 1979
Net earnings for the period . . . . .	\$ 67,932,000	\$ 57,668,000
Non-cash charges deducted in arriving at net earnings, principally depreciation and deferred income taxes . . . . .	33,643,000	35,395,000
Equity in earnings of associated companies less dividends received of \$809,000 (1978—\$762,000) . . . . .	(7,371,000)	(4,545,000)
Working capital from operations . . . . .	94,204,000	88,518,000
Proceeds from issue of long-term obligations . . . . .	3,880,000	31,675,000
Capitalization of lease obligations . . . . .	1,548,000	16,255,000
Receipts from issues of capital stock . . . . .	75,578,000	8,496,000
Decrease in investments and other assets . . . . .	2,280,000	7,947,000
Disposal of fixed assets . . . . .	253,000	454,000
	<u>177,743,000</u>	<u>153,345,000</u>
Use of Working Capital		
Fixed asset additions:		
Owned . . . . .	37,282,000	34,986,000
Leased under capital leases . . . . .	1,548,000	16,255,000
Decrease in long-term obligations . . . . .	36,684,000	34,093,000
Increase in investments and other assets . . . . .	7,765,000	2,129,000
Dividends declared . . . . .	29,416,000	20,526,000
	<u>112,695,000</u>	<u>107,989,000</u>
Resulting in an increase in working capital of . . . . .	\$ 65,048,000	\$ 45,356,000
Working capital at end of period . . . . .	<u>\$667,784,000</u>	<u>\$602,736,000</u>



# Consolidated Balance Sheet

## Assets

	January 30, 1980	January 31, 1979
<b>Current Assets</b>		
Cash .....	\$ 4,490,000	\$ 4,120,000
Accounts receivable (Note 4) .....	639,273,000	555,842,000
Inventories .....	472,144,000	433,621,000
Prepaid advertising and other charges .....	54,299,000	47,706,000
	<u>1,170,206,000</u>	<u>1,041,289,000</u>
<b>Investments and Other Assets (Note 5) .....</b>	<b>49,562,000</b>	<b>36,706,000</b>
<b>Fixed Assets (Note 6)</b>		
Land .....	27,276,000	23,614,000
Buildings and improvements .....	292,057,000	285,430,000
Equipment and fixtures .....	195,669,000	178,461,000
	<u>515,002,000</u>	<u>487,505,000</u>
Less accumulated depreciation .....	161,768,000	140,349,000
	<u>353,234,000</u>	<u>347,156,000</u>
<b>Unamortized Bond and Debenture Discount and Expense and Unrealized Foreign Exchange Losses .....</b>	<b>4,883,000</b>	<b>6,481,000</b>
	<u>\$1,577,885,000</u>	<u>\$1,431,632,000</u>



## Liabilities

### Current Liabilities

	January 30, 1980	January 31, 1979
Bank advances and short-term notes (Note 7)	\$ 180,499,000	\$ 176,043,000
Accounts payable	125,590,000	112,667,000
Accrued liabilities	79,918,000	75,838,000
Income and other taxes	78,624,000	42,280,000
Principal payments on long-term obligations due within one year (Note 8)	29,951,000	24,857,000
Dividend payable March 14, 1980	7,840,000	6,868,000
	<u>502,422,000</u>	<u>438,553,000</u>
<b>Long-Term Obligations (Note 8)</b>	<u>500,955,000</u>	<u>533,652,000</u>
<b>Deferred Income Taxes</b>	<u>24,612,000</u>	<u>23,625,000</u>
	<u><b>1,027,989,000</b></u>	<u><b>995,830,000</b></u>

## Shareholders' Equity

### Capital Stock (Note 9)

Authorized shares of no par value—

18,500,000 Class A shares

37,000,000 Class B shares

37,000,000 Class C shares

Issued—

16,722,528 Class A shares (1978—14,690,776)

35,174,584 Class B shares (1978—30,811,000)

35,212,571 Class C shares (1978—30,811,000)

79,519,000	65,297,000
95,017,000	64,472,000
95,283,000	64,472,000
<u>269,819,000</u>	<u>194,241,000</u>
<b>280,077,000</b>	<b>241,561,000</b>
<u>549,896,000</u>	<u>435,802,000</u>
<u><b>\$1,577,885,000</b></u>	<u><b>\$1,431,632,000</b></u>

### Retained Earnings

  
Approved by the Board: C.R. Sharpe Director

  
J.D. Taylor Director



# Notes to Consolidated Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Principles of Consolidation:

The consolidated financial statements include the accounts of Simpsons-Sears Limited and all subsidiaries.

### Inventories:

Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for catalogue order inventories on a first-in, first-out or average cost basis applied by individual items, for retail store inventories on a first-in, first-out basis applied by the retail inventory method, and for supplies and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

### Investments:

Investments in associated companies are carried at cost plus equity in undistributed earnings since dates of acquisition. Other investments are carried at cost.

### Fixed Assets:

Fixed assets are stated at cost. Depreciation and amortization provisions are generally computed by the straight-line method based on the estimated useful lives of 4 to 10 years for equipment and fixtures and of 30 to 50 years for buildings and improvements.

Temporary equipment (short-lived equipment such as wood shelving, stock boxes, display equipment, awnings, shades and certain types of floor coverings) acquired for a retail store on or prior to opening are amortized over a period of five years and, with some exceptions, the costs of other temporary equipment are amortized over a twelve month period.

### Leases:

Leases are accounted for as capital or operating leases based on an assessment of each lease.

### Unamortized Bond and Debenture Discount and Expense:

Bond and debenture discount and expense are amortized by the reducing balance method or by the straight-line method, as applicable, to the due dates of the respective bonds and debentures.

### Profits on Instalment Sales:

Profits on instalment sales, but not the service charge on such sales, are taken into earnings at the time of sale. The service charges are taken into earnings as earned.

### Foreign Currency Translation:

Long-term obligations payable in U.S. dollars are translated at the exchange rate in effect at the balance sheet date. Unrealized foreign exchange gains and losses are deferred and amortized over the remaining lives of the obligations.

### Pensions:

Current service costs under the Company's Guaranteed Retirement Income Plan are charged to operations as they accrue. Prior service costs are charged to operations as they are funded.

### Net Earnings per Share:

Net earnings per share are calculated based on the weighted average number of shares outstanding during the period.

### The Companies Act of British Columbia:

The consolidated financial statements do not purport to comply with certain disclosure requirements unique to the Companies Act of British Columbia.

## 2. CHANGE OF FISCAL YEAR END:

On December 15, 1978, shareholders approved a change in the fiscal year end of the Company from the first Wednesday to the fifth Wednesday following the first day of January. As a consequence of this change, the consolidated statements of earnings, retained earnings and changes in financial position include the fifty-six weeks ended January 31, 1979 and, for comparative purposes, unaudited amounts are also shown for the fifty-two weeks ended on that date in the consolidated statements of earnings and retained earnings.

## 3. CHANGE OF ACCOUNTING POLICY:

In 1979, the Company adopted, on a retroactive basis, the policy of accounting for leases that transfer to the Company most of the benefits and risks of ownership related to leased property as capital leases in accordance with recommendations of The Canadian Institute of Chartered Accountants. Previously, all leases were accounted for as operating leases and payments were charged directly against earnings. The effect of this change has been to decrease net earnings for the fifty-two weeks ended January 30, 1980 and January 31, 1979 by \$283,000 and \$52,000 respectively (\$57,000 for the fifty-six weeks ended January 31, 1979).

4. ACCOUNTS RECEIVABLE:	January 30, 1980	January 31, 1979
Customer instalment accounts . . . . .	<b>\$590,763,000</b>	\$511,193,000
Miscellaneous accounts . . . . .	<b>64,824,000</b>	59,659,000
	<b>655,587,000</b>	570,852,000
Less allowance for doubtful accounts . . .	<b>16,314,000</b>	15,010,000
	<b>\$639,273,000</b>	\$555,842,000

In accordance with recognized trade practices, customer instalment accounts include amounts which will not become due within one year.

## 5. INVESTMENTS AND OTHER ASSETS:

	January 30, 1980	January 31, 1979
Investments in associated companies . . .	<b>\$ 38,087,000</b>	\$ 30,606,000
Other investments, principally		
real estate advances . . . . .	<b>8,787,000</b>	2,537,000
Notes receivable on Class A shares of Simpsons-Sears Limited issued under the Employees' Stock Purchase Plan . . . . .	<b>2,688,000</b>	3,563,000
	<b>\$ 49,562,000</b>	\$ 36,706,000

The Company's equity in the net assets of the associated companies as shown in their financial statements approximates the carrying value thereof. The investments in associated companies include a 25% share interest in each of Allstate Insurance Company of Canada and Allstate Life Insurance Company of Canada, a 45% share interest in Photo Engravers & Electrotypes Limited, a 20% share interest in Inglis Limited and interests in shopping centres in which the Company's stores are located.

## 6. FIXED ASSETS:

Fixed assets include the following capitalized leased assets:	January 30, 1980	January 31, 1979
Buildings . . . . .	<b>\$ 20,915,000</b>	\$ 20,915,000
Equipment . . . . .	<b>3,316,000</b>	1,768,000
	<b>24,231,000</b>	22,683,000
Less accumulated amortization . . . . .	<b>2,304,000</b>	1,242,000
	<b>\$ 21,927,000</b>	\$ 21,441,000

## 7. BANK ADVANCES AND SHORT-TERM NOTES:

Bank advances include demand notes of \$6,000,000 at January 30, 1980 and \$6,000,000 at January 31, 1979 secured by the pledge of Secured Debentures Series A, payable on demand, of Simpsons-Sears Acceptance Company Limited.

The Company has agreed to give its bankers a charge on inventories to secure its short-term bank advances which were outstanding in the amount of \$50,087,000 at January 30, 1980.



**8. LONG-TERM OBLIGATIONS:**

Simpsons-Sears Limited	January 30, 1980	January 31, 1979
<b>First Mortgage Bonds—</b>		
4½% Series B due April 1, 1979 .....	\$ —	\$ 625,000
5½% Series C due August 15, 1985 .....	<b>4,830,000</b>	5,295,000
7¾% Series D due February 15, 1991 .....	<b>22,350,000</b>	24,598,000
8¼% Series E due May 1, 1993 .....	<b>23,750,000</b>	25,000,000
<b>Debentures—</b>		
10¼% Series A due August 15, 1979 .....	—	15,000,000
11% Series B due August 15, 1994 .....	<b>33,231,000</b>	35,000,000
10% Series C due June 15, 1982 .....	<b>35,000,000</b>	35,000,000
11¼% Series D due June 15, 1995 .....	<b>35,000,000</b>	35,000,000
4½% Convertible due October 15, 1988 .....	<b>1,671,000</b>	1,764,000
Floating rate Series E due		
December 31, 1987 .....	<b>25,000,000</b>	25,000,000
10½% Unsecured Notes due		
May 28, 1979 .....	—	5,000,000
Capital lease obligations, interest		
rates from 8% to 10% .....	<b>23,079,000</b>	22,047,000
	<b>203,911,000</b>	229,329,000
<b>Simpsons-Sears Acceptance Company</b>		
<b>Limited Secured Debentures—</b>		
6¾% Series B due February 1, 1980 .....	<b>20,000,000</b>	20,000,000
5% Series C due February 1, 1980		
(U.S. \$5,000,000) .....	<b>5,792,000</b>	5,988,000
5¾% Series D due July 1, 1981 .....	<b>15,000,000</b>	15,000,000
5½% Series E due March 1, 1985 .....	<b>10,000,000</b>	10,000,000
6¼% Series F due March 1, 1986 .....	<b>10,000,000</b>	10,000,000
7% Series G due November 1, 1986 .....	<b>12,200,000</b>	12,200,000
7¼% Series H due August 15, 1987 .....	<b>12,400,000</b>	12,400,000
8¾% Series I due June 15, 1989 .....	<b>8,700,000</b>	8,700,000
9½% Series J due February 1, 1990 .....	<b>6,670,000</b>	6,670,000
8¾% Series K due May 15, 1992 .....	<b>25,000,000</b>	25,000,000
9¼% Series L due March 15, 1994 .....	<b>23,500,000</b>	24,800,000
11½% Series M due November 15, 1994 .....	<b>17,630,000</b>	18,920,000
11½% Series N due November 15, 1994 .....	<b>6,375,000</b>	6,800,000
9¾% Series O due August 1, 1983 .....	<b>18,230,000</b>	19,230,000
10¾% Series P due November 15, 1996 .....	<b>34,700,000</b>	35,000,000
10¾% Series Q due November 15, 1988 .....	<b>10,000,000</b>	10,000,000
9¼% Series R due March 15, 1984 .....	<b>30,000,000</b>	30,000,000
10% Series S due July 15, 1998 .....	<b>32,000,000</b>	32,000,000
	<b>298,197,000</b>	302,708,000
<b>Simpsons-Sears Properties Limited</b>		
<b>Mortgage and bond indebtedness—</b>		
4% to 6% payable in monthly		
instalments of principal and interest		
and maturing at various dates from		
1985 to 1998, including \$6,682,000		
(U.S. \$5,928,000) at January 30, 1980		
and \$7,594,000 (U.S. \$6,342,000) at		
January 31, 1979 payable in U.S. funds	<b>8,806,000</b>	9,573,000
12% notes, payable in annual amounts		
to August 31, 1989 .....	<b>3,880,000</b>	—
	<b>12,686,000</b>	9,573,000
<b>St. Laurent Shopping Centre Limited—</b>		
8% First Mortgage Sinking Fund Bonds		
due June 1, 1993 .....	<b>12,679,000</b>	13,431,000
10½% General Mortgage Bonds		
Series A due June 1, 1993 .....	<b>3,433,000</b>	3,468,000
	<b>16,112,000</b>	16,899,000
	<b>530,906,000</b>	558,509,000
<b>Less principal payments due within one</b>		
<b>year included in current liabilities .....</b>	<b>29,951,000</b>	24,857,000
	<b>\$500,955,000</b>	<b>\$533,652,000</b>

The First Mortgage Bonds of Simpsons-Sears Limited, the mortgage and bond indebtedness of Simpsons-Sears Properties Limited, and the First Mortgage Sinking Fund Bonds of St. Laurent Shopping Centre Limited are primarily secured by first charges on the fixed assets of those companies. The 10½% General Mortgage Bonds Series A of St. Laurent Shopping Centre Limited are secured primarily by a second charge on the fixed assets of the company. The Debentures of Simpsons-Sears Limited are secured, subject to the security given on its First Mortgage Bonds, by a floating charge on all the assets of the Company. The Secured Debentures of Simpsons-Sears Acceptance Company Limited are secured by an assignment of the customer instalment accounts receivable referred to in Note 4.

The 4½% Convertible Debentures were convertible at the holder's option at any time up to October 16, 1978 into 113 Class A shares per \$1,000 principal amount of debentures.

The Series E Debentures of the Company, which are redeemable at its option subsequent to December 31, 1982, bear interest for each interest period at a rate equal to the aggregate of the average daily prime lending rate of the Company's two principal bankers for the interest period and ½%.

Subsequent to 1980, principal payments required on long-term obligations for the years shown are as follows:

1981-\$24,795,000	1983-\$29,639,000
1982-\$47,306,000	1984-\$47,047,000

**9. CAPITAL STOCK:**

By supplementary letters patent dated August 7, 1979, the authorized capital was increased to 18,500,000 Class A shares, 37,000,000 Class B shares and 37,000,000 Class C shares.

By the exercise of rights issued to shareholders to subscribe for one additional share at the price of \$7.00 for each seven shares held on August 15, 1979, 2,031,752 Class A shares, 4,363,584 Class B shares and 4,401,571 Class C shares were issued on September 12, 1979 for \$75,578,000.

All classes of shares rank equally in all respects except that the Class A shares are non-voting and are entitled to a non-cumulative preferential dividend of 2-1/12¢ per share in any year. After payment of a similar dividend to the holders of the Class B and Class C shares all three classes rank equally as to dividends.

**10. COMMITMENTS:**

The charge against earnings for the Company's Guaranteed Retirement Income Plan was \$13,667,000 for the fifty-two weeks ended January 30, 1980 (\$10,791,000 for the fifty-six weeks ended January 31, 1979). The unfunded obligation for past service under this plan, estimated by independent actuaries to be approximately \$72,300,000 at January 30, 1980, is to be funded and charged to earnings by annual payments to 1994.

Minimum lease payments, exclusive of property taxes, insurance and other expenses payable directly by the Company, under capital leases and operating leases that have an initial term of more than one year as at January 30, 1980 are as follows:

*continued on next page*



	Capital leases	Operating leases
1980 .....	\$ 2,792,000	\$ 32,158,000
1981 .....	2,792,000	29,040,000
1982 .....	2,792,000	25,418,000
1983 .....	2,704,000	21,286,000
1984 .....	2,526,000	19,903,000
1985-1989 .....	11,768,000	91,099,000
1990-1994 .....	10,799,000	80,621,000
1995-1999 .....	10,504,000	66,325,000
2000 and thereafter .....	16,417,000	77,030,00
Minimum lease payments .....	63,094,000	\$442,880,000
Less imputed interest .....	40,015,000	
Capital lease obligations .....	<u>\$ 23,079,000</u>	

Total rentals charged to earnings under all operating leases for the fifty-two weeks ended January 30, 1980 amounted to \$35,588,000 (\$33,698,000 for the fifty-six weeks ended January 31, 1979).

#### 11. REMUNERATION OF DIRECTORS AND OFFICERS:

For the fifty-two weeks ended January 30, 1980 twelve (1978-seven) directors received remuneration amounting to \$61,000. (\$35,000 for the fifty-six weeks ended January 31, 1979); the remaining five (1978-seven) directors received no remuneration as directors. The remuneration of thirteen officers, two of whom are also directors, amounted to \$1,594,000 (\$1,642,000 for the fifty-six weeks ended January 31, 1979).

#### 12. CAPITAL EXPENDITURES:

Capital expenditures for the fiscal year ending February 4, 1981 are estimated at approximately \$48,000,000.

## Auditors' Report

To the Shareholders of Simpsons-Sears Limited:

We have examined the consolidated balance sheet of Simpsons-Sears Limited as at January 30, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 30, 1980 and the results of its operations and the changes in its financial position for the fifty-two weeks then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for leases referred to in Note 3 to the financial statements, on a basis consistent with that of the preceding fiscal year.

*Price Waterhouse & Co.*

Toronto, March 27, 1980

Chartered Accountants



# Five Year Summary

Simpsons-Sears Limited

	1979 52 weeks	1978 52 weeks (unaudited)*	1977	1976	1975
<b>Results for the year</b> (in thousands)					
Net sales .....	<b>\$2,618,213</b>	\$2,390,651	\$2,093,378	\$1,890,827	\$1,548,600
Depreciation .....	<b>32,500</b>	30,508	28,992	26,566	23,795
Income taxes .....	<b>45,369</b>	38,809	27,700	26,906	28,993
Net earnings .....	<b>67,932</b>	58,346	44,925	33,174	32,118
Dividends declared .....	<b>29,416</b>	20,526	18,077	18,037	17,159
Fixed asset additions:					
Owned .....	<b>37,282</b>	33,841	42,046	40,305	69,664
Leased under capital leases .....	<b>1,548</b>	16,255			
<b>Year-end position</b> (in thousands)					
Inventories .....	<b>472,144</b>	433,621	402,398	381,653	279,503
Fixed assets (net) .....	<b>353,234</b>	347,156	323,106	310,333	298,389
Total assets .....	<b>1,577,885</b>	1,431,632	1,339,927	1,238,070	1,050,597
Working capital .....	<b>667,784</b>	602,741	557,591	486,673	431,586
Long-term obligations .....	<b>500,955</b>	533,652	512,176	457,407	402,573
Shareholders' equity .....	<b>549,896</b>	435,802	390,461	362,597	345,066
<b>Per share of capital stock</b> (in dollars)					
Net earnings .....	<b>.85</b>	.77	.60	.44	.47
Dividends declared .....	<b>.36</b>	.27	.24	.24	.24
Shareholders' equity .....	<b>6.31</b>	5.71	5.18	4.82	4.60

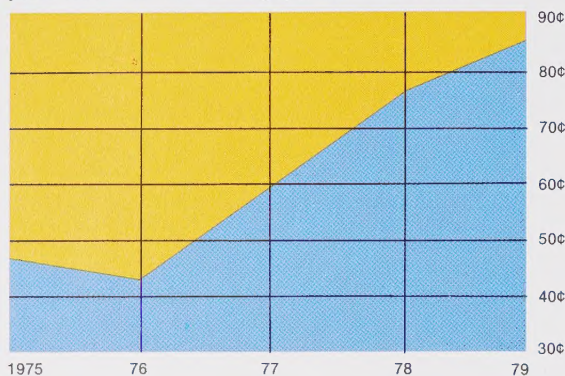
\*Restated for change in lease accounting policy applied retroactively in 1979.  
The effect on prior years, not restated, would not be significant.



# Performance Comparisons

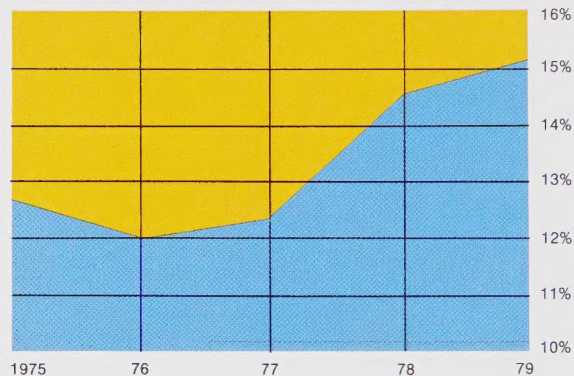
## Earnings per share

The compounded average annual increase for the five years 1975 to 1979 for earnings per share was 10.8%.



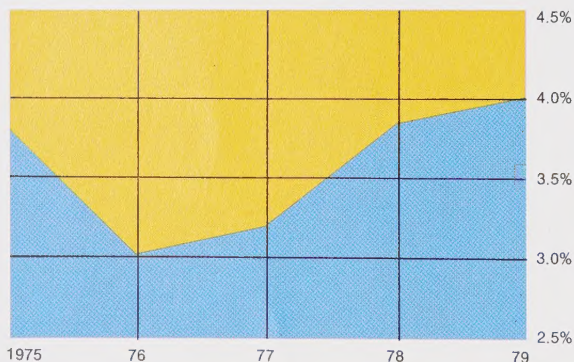
## Return on capital employed

Return on capital employed is the pretax earnings plus interest charges and equity in earnings of associated companies divided by the average total of short and long-term debt, deferred income taxes and shareholders' equity.



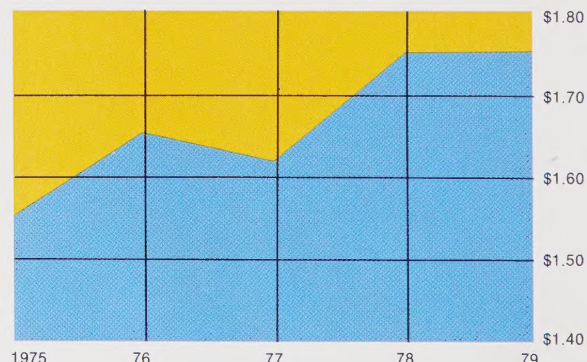
## Pretax margin

The pretax margin is pretax earnings from operations divided by net sales, and represents net profit per dollar of sales after all expenses except income taxes.



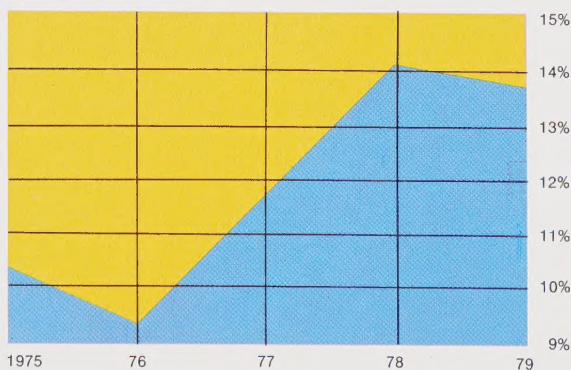
## Sales per dollar of average assets

Each dollar of average assets employed in the business generated these sales dollars during the year.



## Return on average equity

Return on average equity is the rate of return of net income for the year on average shareholders' equity. The return in 1979 was 13.8% compared with 14.1% in 1978 after including the additional \$75,578,000 capital invested during 1979 by a rights issue to shareholders.



**ROBERT J. KNOX**

VICE-PRESIDENT PUBLIC AFFAIRS  
SIMPSON-SEARS LIMITED

TORONTO



# Catalogue Centres, Catalogue Sales Offices, Retail Stores

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## Catalogue Centres

Halifax, Nova Scotia  
Toronto, Ontario  
Regina, Saskatchewan  
Vancouver, British Columbia

## 1020 Catalogue Sales Offices

### 65 Retail Stores

Barrie, Ontario  
Belleville, Ontario  
Brantford, Ontario  
Burlington, Ontario  
Burnaby, British Columbia  
Calgary, Alberta  
    Chinook-Centre  
    Marlborough  
    North Hill  
Chicoutimi, Quebec  
Chilliwack, British Columbia  
Cornwall, Ontario  
Dundas, Ontario  
Edmonton, Alberta  
    Bonnie Doon  
    Kingsway  
    Meadowlark  
Fredericton, New Brunswick

Guelph, Ontario  
Hamilton, Ontario  
Hull, Quebec  
Kamloops, British Columbia  
Kelowna, British Columbia  
Kingston, Ontario  
Kitchener, Ontario  
Lethbridge, Alberta  
Levis, Quebec  
Markham, Ontario  
Medicine Hat, Alberta  
Mississauga, Ontario  
Montreal, Quebec  
    les Galeries d'Anjou  
    Mail Champlain  
    Place Vertu  
Moncton, New Brunswick  
Moose Jaw, Saskatchewan  
Nanaimo, British Columbia  
Newmarket, Ontario  
North Vancouver, British Columbia  
Oshawa, Ontario  
Ottawa, Ontario  
    Carlingwood  
    St. Laurent  
Peterborough, Ontario  
Prince Albert, Saskatchewan  
Prince George, British Columbia

Quebec City, Quebec  
    Fleur de Lys  
    Place Laurier  
Red Deer, Alberta  
Richmond, British Columbia  
Richmond Hill, Ontario  
Saint John, New Brunswick  
Sarnia, Ontario  
Saskatoon, Saskatchewan  
Sault Ste. Marie, Ontario  
Sherbrooke, Quebec  
St. Catharines, Ontario  
St. Jerome, Quebec  
St. John's, Newfoundland  
Sudbury, Ontario  
Surrey, British Columbia  
Thunder Bay, Ontario  
Toronto, Ontario  
Trois-Rivières, Quebec  
Vancouver, British Columbia  
Victoria, British Columbia  
Windsor, Ontario  
Winnipeg, Manitoba  
    Garden City  
    Polo Park

Sears

## Simpsons-Sears Limited

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## Transfer Agent and Registrar

The Royal Trust Company,  
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Montreal, P.Q.;  
Calgary, Alberta

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